

Message Text

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ORIGIN XMB-04

INFO OCT-01 EUR-12 EA-07 ISO-00 TRSE-00 EB-07 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 AGR-05 L-03 DODE-00 SSO-00 PM-04 /101 R

DRAFTED BY: XMB:AMCCULLOUGH/DAMBACH; TREAS:RPELIKAN

APPROVED BY: E:MR ROBINSON

COMMERCE:SKATZ

FED RESERVE:RIRVINE

L/EB:PRTRIMBLE

OMB:SFARRAR

S/S-O:DLMACK

AID/AA/PAC:ASHAKOW

AGRIC:RPLEWIS

DEF:JDARLING

XMB:SMDUBRUL JR

EB/IFD/ODF:RASWART

EB/IFD/ODF:RABWINDER

EB/IFD/PHBOETTER

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P 090058Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY BONN PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY ROME PRIORITY

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AMEMBASSY OTTAWA PRIORITY

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AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

INFO USMISSION EC BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: EFIN

SUBJ: UNILATERAL DECLARATIONS OF OFFICIAL EXPORT CREDIT RESTRAINTS

REF: STATE 28559, TOKYO 2390, OTTAWA 560, TOKYO 3265

1. FOLLOWING THE LATEST SERIES OF DISCUSSIONS WITH OFFICIALS IN SOME ADDRESSEE COUNTRIES, WE BELIEVE A CONSENSUS HAS BEEN REACHED WITH THOSE EUROPEAN COUNTRIES ON CERTAIN GUIDELINES AND PROCEDURES WHICH EACH COUNTRY IS WILLING TO APPLY TO ITS OFFICIALLY-SUPPORTED EXPORT CREDITS ON A TRIAL BASIS. WE BELIEVE, TOO, THAT PROSPECTS ARE GOOD THAT THE JAPANESE AND CANADIANS WILL FOLLOW SUIT.

2. HAVING COME THIS FAR, WE ARE MOST ANXIOUS TO MAINTAIN MOMENTUM AND GET THE SYSTEM IN OPERATION DESPITE A FEW REMAINING ROUGH EDGES. SINCE THE SYSTEM, IN ESSENCE, IS A TRIAL RUN, IT IS MUCH MORE IMPORTANT TO START NOW AND AVOID THE RISK OF GETTING BOGGED DOWN AGAIN IN DISCUSSIONS OF DETAILS AND MINOR MODIFICATIONS THAT MAY OR MAY NOT PROVE TO BE SIGNIFICANT. ANY PROBLEMS IN IMPLEMENTATION SHOULD BE DEALT WITH WHEN AND IF THEY ARISE, AS BEFITS A TRIAL SYSTEM.

3. IN ORDER TO INSTITUTE THE SYSTEM PROMPTLY, WE CONTEMPLATE ISSUING THE STATEMENTS APPEARING AT THE CONCLUSION OF THIS MESSAGE IN THE NEAR FUTURE. ACTION ADDRESSEES ARE REQUESTED TO SO INFORM THE APPROPRIATE AUTHORITIES IN THEIR COUNTRIES, AND TO TRANSMIT COPIES OF THE STATEMENTS TO THEM AS SOON AS POSSIBLE ON MARCH 9.

4. IN TRANSMITTING THESE STATEMENTS, POSTS SHOULD EXPLAIN THAT:

A) THEY REFLECT A MAXIMUM U.S. EFFORT TO ACCOMMODATE THE POSITIONS EXPRESSED DURING RECENT VISITS TO MOST ADDRESSEES BY EXIMBANK AND TREASURY REPRESENTATIVES.

B) OUR WILLINGNESS TO MAKE AVAILABLE OUR TEXTS AND, WHEN APPROPRIATE TO TAKE THE LEAD IN ISSUING STATEMENTS IS DESIGNED TO LIMITED OFFICIAL USE
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FACILITATE THE PROMPT CONCLUSION OF LONG MONTHS OF DISCUSSIONS WITH A POSITIVE STEP. HOWEVER, WE CONSIDER PROMPT ACTION NOW BY ALL COUNTRIES CONCERNED TO BE ESSENTIAL.

5. POSTS ALSO SHOULD EXPLAIN THAT EVEN THOUGH THE STATEMENTS DO NOT PROVIDE EXPLICITLY FOR TERMINATION PRIOR TO JUNE 30, 1977, WE UNDERSTAND THAT ANY COUNTRY MAY CEASE TO APPLY THE NORMS AND PROCEDURES FOLLOWING 30 DAYS NOTICE TO COUNTRIES THAT HAVE ISSUED SIMILAR STATEMENTS.

6. POSTS SHOULD INQUIRE ABOUT TIMING OF HOST COUNTRY STATEMENTS AND FORWARD TEXTS AS AVAILABLE.

7. BEGIN TEXT

U.S. DECLARATION ON OFFICIAL SUPPORT
FOR EXPORT CREDITS

AT THE END OF THEIR ECONOMIC CONFERENCE IN NOVEMBER 1975 AT RAMBOUILLET, FRANCE, THE HEADS OF STATE AND GOVERNMENTS OF THE UNITED STATES, FRANCE, GERMANY, ITALY, JAPAN, AND THE UNITED KINGDOM DECLARED THAT THEIR GOVERNMENTS WOULD INTENSIFY EFFORTS TO ACHIEVE A PROMPT CONCLUSION OF DISCUSSIONS THEN UNDERWAY CONCERNING EXPORT CREDITS. RENEWED DISCUSSIONS AMONG THESE GOVERNMENTS HAVE RESULTED IN A CONSENSUS THAT COUNTER-PRODUCTIVE COMPETITION MUST BE AVOIDED WITH RESPECT TO GOVERNMENT-SUPPORTED EXPORT CREDITS.

RECOGNIZING THIS CONSENSUS, THE UNITED STATES GOVERNMENT WISHES TO DECLARE THAT IT FULLY SUPPORTS THE PRINCIPLE OF COOPERATION IN ORDER TO REDUCE COUNTER-PRODUCTIVE COMPETITION IN GOVERNMENT-SUPPORTED EXPORT CREDITS. THE NORMS AND PROCEDURES FOR EXIMBANK-SUPPORTED CREDITS FOR CIVILIAN GOODS AND SERVICES WILL BE SET FORTH IN A DECLARATION BY THE EXPORT-IMPORT BANK OF THE UNITED STATES UNDER ITS STATUTORY AUTHORITY. THE UNITED STATES GOVERNMENT INTENDS TO APPLY THE SAME NORMS AND PROCEDURES TO ANY OTHER OFFICIAL EXPORT CREDIT SUPPORT PROGRAM FOR SIMILAR GOODS AND SERVICES.

THE UNITED STATES GOVERNMENT INVITES OTHER GOVERNMENTS TO UNDERTAKE SIMILAR DECLARATIONS SO AS TO BROADEN THE COMMITMENT
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TO REDUCE COUNTER-PRODUCTIVE COMPETITION IN GOVERNMENT-SUPPORTED EXPORT CREDITS. END TEXT.

8. BEGIN TEXT

DECLARATION ON OFFICIAL SUPPORT FOR EXPORT CREDITS

THE EXPORT-IMPORT BANK OF THE UNITED STATES IS ADJUSTING ITS POLICIES FOR EXPORT CREDITS TWO YEARS AND OVER IN AN ATTEMPT TO REDUCE COUNTER-PRODUCTIVE OFFICIAL FINANCING PRACTICES IN INTERNATIONAL TRADE. THESE ADJUSTMENTS RESPOND TO THE DECLARATION BY THE HEADS OF STATE AND GOVERNMENT, WHO MET AT RAMBOUILLET, FRANCE, IN NOVEMBER 1975, THAT THEIR GOVERNMENTS WOULD INTENSIFY EFFORTS TO ACHIEVE A PROMPT CONCLUSION OF DISCUSSIONS CONCERNING EXPORT CREDITS, AS WELL AS TO THE DIRECTIVE IN THE BANK'S STATUTE THAT IT WILL SEEK TO MINIMIZE COMPETITION IN GOVERNMENT-SUPPORTED EXPORT FINANCING. UNDER THE NEW PRACTICES THE EXIMBANK WILL ESTABLISH NORMS WHICH GENERALLY WILL REFLECT

SOMEWHAT HIGHER MINIMUM INTEREST RATES ON OFFICIALLY-SUPPORTED CREDITS FROM COMPETITORS AND SHORTER TERMS FOR SOME CREDITS FROM EXIMBANK. WHEN INDIVIDUAL EXIMBANK AUTHORIZATIONS EXCEED THESE NORMS, PROCEDURES INVOLVING NOTIFICATION AND, AT TIMES, CONSULTATION WILL BE OBSERVED.

FOR A PERIOD THROUGH JUNE 30, 1977, EXIMBANK WILL APPLY THE FOLLOWING MEASURES TO EXPORT CREDITS, INCLUDING LEASING, ON A TRIAL BASIS UPON INFORMATION THAT SIMILAR CHANGES WILL BE EFFECTED BY THE OFFICIAL AGENCIES OF THE MAJOR TRADING NATIONS INVOLVED IN EXPORT FINANCING. OTHER EXPORTING COUNTRIES WILL BE INVITED TO DO THE SAME.

(1) CASH PAYMENTS WILL BE A MINIMUM OF 15 PERCENT OF THE EXPORT CONTRACT VALUE.

(2) EXIMBANK'S INTEREST RATES WILL CONTINUE AS AT PRESENT, RANGING FROM 8-1/4 TO 9-1/2 PERCENT ON DIRECT LOANS WITH FLEXIBILITY TO MEET COMPETITION IN CERTAIN TRANSACTIONS. OFFICIALLY-SUPPORTED MINIMUM INTEREST RATES WILL BE INCREASED BY COMPETING FOREIGN AGENCIES, WHERE NECESSARY, TO AT LEAST 8 PERCENT FOR CREDITS OVER 5 YEARS TO HIGHLY DEVELOPED COUNTRIES, 7-3/4 PERCENT TO INTERMEDIATE COUNTRIES, AND 7-1/2 PERCENT TO THE LESS LIMITED OFFICIAL USE
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DEVELOPED COUNTRIES. FOR 2- TO 5-YEAR CREDITS, THE MINIMUM INTEREST RATE WILL BE 7-3/4 PERCENT TO HIGHLY DEVELOPED COUNTRIES AND 7-1/4 PERCENT TO BOTH INTERMEDIATE AND LESS-DEVELOPED COUNTRIES.

(3) MAXIMUM REPAYMENT TERMS WILL BE 10 YEARS TO LESS-DEVELOPED COUNTRIES AND 8-1/2 YEARS TO OTHER COUNTRIES, WITH 7 DAYS ADVANCE NOTICE TO THE COOPERATING FOREIGN AGENCIES ON CREDIT AUTHORIZATIONS WITH REPAYMENT TERMS OF MORE THAN 5 YEARS TO HIGHLY DEVELOPED COUNTRIES.

(4) THE NORMS DESCRIBED ABOVE MAY BE WAIVED FOLLOWING 7 DAYS NOTICE IN ADVANCE TO COMPETING COUNTRIES, WITH AN ADDITIONAL 10 DAYS ALLOWED FOR CONSULTATION UPON REQUEST. IN ADDITION TO THOSE CASES ALREADY SPECIFIED, PROMPT NOTIFICATION WOULD BE GIVEN (A) WHERE CREDITS ARE ENTERED INTO UNDER EXISTING COMMITMENTS, AND (B) WHERE CREDIT TERMS HAVE BEEN SET TO MEET THE TERMS OFFERED BY OTHER COUNTRIES.

(5) THESE NORMS WILL NOT APPLY TO AGRICULTURAL COMMODITIES, AIRCRAFT (INCLUDING HELICOPTERS) AND NUCLEAR POWER PLANTS. THE NORMS FOR MATURITIES WILL NOT APPLY TO SATELLITE GROUND STATIONS. ADDITIONALLY, CONVENTIONAL POWER PLANTS AND STEEL MILLS WOULD BE EXEMPT FROM THE MATURITY NORMS UP TO MAXIMUM PRESENT PRACTICES, WITH ADVANCE NOTICE TO OTHER COUNTRIES FOR TRANSACTIONS EXCEEDING 5-YEAR REPAYMENT TERMS TO HIGHLY DEVELOPED COUNTRIES,

8-1/2 YEARS TO INTERMEDIATE COUNTRIES AND 10 YEARS TO THE LESS-DEVELOPED COUNTRIES.

(6) ANY CREDIT WHICH HAS A GRANT ELEMENT OF 25 PERCENT OR MORE OF THE VALUE OF THE GOODS AND SERVICES EXPORTED, AS ALREADY DEFINED BY THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD, IS EXEMPT FROM THE NORMS. ANY OTHER CREDIT EXCEEDING THE NORMS DESCRIBED ABOVE AND HAVING A GRANT ELEMENT OF 15 PERCENT OR LESS WOULD RESULT IN ADVANCE NOTIFICATION AND CONSULTATION, UPON REQUEST. CREDITS HAVING A GRANT ELEMENT OF MORE THAN 15 PERCENT BUT LESS THAN 25 PERCENT WOULD RESULT IN PROMPT NOTIFICATION. END TEXT. KISSINGER

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